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SUBJECT: FINANCE MINISTER DOCUMENTS PROGRESS MADE TO MEET
HIPC CRITERIA

REF: A) 2008 ABIDJAN 813

1.(U) Embassy has received a letter dated January 6, 2009 from Cote d'Ivoire's Minister of Economy and Finance, Charles DIBY Koffi, which outlines steps the country has taken to comply with conditions/criteria for the HIPC decision point. The letter, addressed to the Ambassador, covers concerns raised by the IMF/World Bank mission that visited Abidjan in October 2008, namely ex-budgetary expenditures, clearance of arrears to the African Development Bank (AfDB) and payment (in oil) for public works projects in the administrative capitol of Yamoussoukro. The letter stressed Cote d'Ivoire's commitment to satisfying the concerns of the Bretton Woods institutions and solicits the support of the USG for debt relief. An informal Embassy translation of the original French text follows in paragraph 2. Post is also transmitting the text in French to AF/W.

2. (U) Begin translation of text.

To: Her Excellency the Ambassador of the United States in Cote d'Ivoire, Abidjan.

Subject: Information on the Economic and Financial Program of Cote d'Ivoire with the Partners for Development and Request for Support

Excellency,

The preliminary document of the enhanced initiative in favor of Heavily Indebted Poor Countries (HIPC) for Cote d'Ivoire has just been approved by the Boards of the International Monetary Fund and World Bank, respectively on 12 and 16 December 2008.

This decision follows the efforts undertaken by the Government since August 2007, in the framework of the implementation of the Emergency Post-Conflict Assistance (EPCA) Program. It notably concerns:

- the normalization of budget management;
- communication to the Council of Ministers, and quarterly publication of the status of budget implementation, physical and financial flows of the energy sector and data (statistics) relating to the collection and use of levies on the coffee/cocoa sector;
- gradual reduction in levies as special levies on coffee and cocoa;
- adherence to the Extractive Industries Transparency (EIT) Initiative;
- evaluation of the system used to handle public finances and preparation of a reform plan, taking into account all the components.

In addition, despite the state's financial difficulties, efforts have been made for the clearance of arrears to the World Bank (225 billion CFA francs) and to start the clearance of those to the African Development Bank, amounting to 50 billion CFA francs.

The adoption of the preliminary document of the HIPC Initiative gives Cote d'Ivoire the possibility to reach the completion point of this initiative and conclude a medium

term program supported by a Poverty Reduction and Growth Facility (PRGF), before the end of the first quarter of 2009.

Considering what is at stake in this program, that is to say, the reduction in foreign debt, resumption of sustained growth and, therefore, viability of the fight against poverty, the government has made it a priority to implement all requests and recommendations relating to them. This is why a diligent response has been given to the observations and reservations expressed at the conclusion of the October 2008 joint mission of the International Monetary Fund, the World Bank, and the African Development Bank.

Those observations concerned budget overrun linked to major investment works by the state, the government's capacity to respect the quantitative indicators of the program, notably the primary basic balance and the level of social expenditures, and concerns for the clearance of arrears to the African Development Bank.

The measures taken by the Government to address these concerns come down to the following:

CONCERNING MAJOR PUBLIC WORKS INVESTMENTS BY THE STATE:

- ordinance no. 2008-310 of November 3, 2008, amending the management of the national budget in 2008, permitted the integration of higher than planned levels of expenditures linked to public works investments by the State;
- a new procedure governing the budgeting for financing of, and execution of public work operations including the monitoring and evaluation of such operations, has been defined by the Prime Minister through Instruction no. 001/PM/CAB of November 13, 2008 and Order no. 039/PM/CAB which creates the Inter-ministerial Committee for operations monitoring relating to major public works investments;
- a framework of contradictory evaluation of the works carried out, including the National Consulting Firm for Technical Studies and Development (BNETD), the General Inspectorate of Finance and the operator, has been put in place.

CONCERNING THE QUANTITATIVE INDICATORS OF THE PROGRAM, the measures taken at the budget execution level guarantee observation of the minimum social expenditures level and the attainment of the planned primary basic balance, that is to say, 0.8 percent of GDP. Actually, state expenditures were frozen on November 24, 2008. Thus the expenditures estimated at the end of November 2008 are almost definitive.

CONCERNING ARREARS CLEARANCE TO THE AFRICAN DEVELOPMENT BANK, provisions are under way to finalize a financing operation that will permit the mobilization of resources needed to pay off the balance beyond the 50 billion (CFA) already paid by the Government.

In addition, discussions continue about how to finalize negotiations so as to permit the presentation of Cote d'Ivoire's dossier to the Boards of the International Monetary Fund and World Bank before the end of March 2009.

In this framework, the understanding and the support of all the bilateral partners are necessary, so as to enable Cote d'Ivoire to complete the program, and thus, secure the conditions for sustainable peace.

And, I would like to request, on behalf of the Ivorian Government, the support of the American authorities, notably within the Bretton Woods institutions, with a view to full resumption of cooperation with the international financial community.

Reiterating my thanks to you for your constant support, please accept, Excellency, the expression of my distinguished consideration.

DIBY Koffi Charles

End of translation of text.

NESBITT